

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Plainwell	County Allegan
Fiscal Year End June 30, 2006	Opinion Date August 10, 2006	Date Audit Report Submitted to State 11/28/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

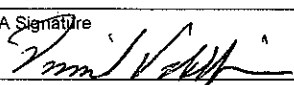
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Nothing to report	
Other (Describe)	<input type="checkbox"/>	No other documents required	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name Daniel L. Veldhuizen, CPA	License Number 1101020724	

City of Plainwell
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Plainwell
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Plainwell's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets decreased by \$20,589 as a result of this year's activities. Net assets of the governmental activities increased by \$44,492, and net assets of the business-type activities decreased by \$65,081.
- Of the \$10,358,662 total net assets reported, \$2,602,670 (25 percent) is available to be used to meet the City's ongoing obligations to its citizens and customers.
- The General Fund's unreserved fund balance at the end of the fiscal year was \$842,035, which represents 46 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The City's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police and fire protection and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems and airport operations are reported here.
- *Component units* - The City includes other entities in its report - the Plainwell Tax Increment Finance Authority and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like the Fire Reserve and Capital Improvement funds) or to show that it is properly using certain taxes and other revenues (like property taxes collected for solid waste and motor fuel taxes collected for the street funds).

The City has three kinds of funds:

1. *Governmental funds*. Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

City of Plainwell
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2. *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service fund is its Equipment Fund that manages the City's fleet of vehicles and equipment.
3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$10,358,662, a decrease compared to the prior year. Of this total, \$7,358,095 is invested in capital assets and \$553,712 is restricted for various purposes. Consequently, unrestricted net assets were \$2,446,855, or 25 percent of the total.

Condensed financial information
Net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 2,644,793	\$ 2,519,725	\$ 212,001	\$ 685,455	\$ 2,856,794	\$ 3,205,180
Capital assets	<u>1,803,687</u>	<u>1,855,050</u>	<u>7,064,408</u>	<u>6,802,066</u>	<u>8,868,095</u>	<u>8,657,116</u>
Total assets	<u>4,448,480</u>	<u>4,374,775</u>	<u>7,276,409</u>	<u>7,487,521</u>	<u>11,724,889</u>	<u>11,862,296</u>
Long-term debt outstanding	-	-	1,105,000	1,170,000	1,105,000	1,170,000
Other liabilities	<u>200,100</u>	<u>170,887</u>	<u>61,127</u>	<u>145,158</u>	<u>261,227</u>	<u>316,045</u>
Total liabilities	<u>200,100</u>	<u>170,887</u>	<u>1,166,127</u>	<u>1,315,158</u>	<u>1,366,227</u>	<u>1,486,045</u>
Net assets:						
Invested in capital assets, net of related debt	1,803,687	1,855,050	5,554,408	5,632,066	7,358,095	7,487,116
Restricted	<u>553,712</u>	<u>477,895</u>	-	-	<u>553,712</u>	<u>477,895</u>
Unrestricted	<u>1,890,981</u>	<u>1,870,943</u>	<u>555,874</u>	<u>543,297</u>	<u>2,446,855</u>	<u>2,414,240</u>
Total net assets	<u>\$ 4,248,380</u>	<u>\$ 4,203,888</u>	<u>\$ 6,110,282</u>	<u>\$ 6,175,363</u>	<u>\$ 10,358,662</u>	<u>\$ 10,379,251</u>

City of Plainwell
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The City's total revenues were \$3,957,961. Approximately 34 percent of the City's revenues come from property taxes and another 35 percent come from utility charges.

The total cost of all the City's programs, covering a wide range of services, totaled \$3,978,550. Approximately 35 percent of the City's costs relate to the provision of utility services. Public safety costs account for 28 percent of the costs and public works costs account for 17 percent of the City's total costs.

Condensed financial information
Changes in net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program revenues:						
Charges for services	\$ 159,060	\$ 82,899	\$ 1,353,208	\$ 1,337,711	\$ 1,512,268	\$ 1,420,610
Operating grants and contributions	351,022	354,881	-	-	351,022	354,881
Capital grants and contributions	60,111	55,563	-	-	60,111	55,563
General revenues:						
Property taxes	1,385,170	1,427,589	-	-	1,385,170	1,427,589
State shared revenue	425,854	430,091	-	-	425,854	430,091
Unrestricted interest income	99,320	64,522	21,946	22,704	121,266	87,226
Other	102,270	55,409	-	-	102,270	55,409
Transfers	53,114	64,955	(53,114)	(64,955)	-	-
Total revenues	<u>2,635,921</u>	<u>2,535,909</u>	<u>1,322,040</u>	<u>1,295,460</u>	<u>3,957,961</u>	<u>3,831,369</u>
Expenses:						
Legislative	9,150	9,150	-	-	9,150	9,150
General government	475,744	485,991	-	-	475,744	485,991
Public safety	1,106,831	1,019,041	-	-	1,106,831	1,019,041
Public works	694,108	623,791	-	-	694,108	623,791
Culture and recreation	219,356	190,991	-	-	219,356	190,991
Community and economic development	86,240	53,876	-	-	86,240	53,876
Sewer	-	-	926,469	835,946	926,469	835,946
Water	-	-	392,369	398,369	392,369	398,369
Airport	-	-	68,283	53,227	68,283	53,227
Total expenses	<u>2,591,429</u>	<u>2,382,840</u>	<u>1,387,121</u>	<u>1,287,542</u>	<u>3,978,550</u>	<u>3,670,382</u>
Increase (decrease) in net assets	<u>\$ 44,492</u>	<u>\$ 153,069</u>	<u>\$ (65,081)</u>	<u>\$ 7,918</u>	<u>\$ (20,589)</u>	<u>\$ 160,987</u>

Governmental activities. Governmental activities increased the City's net assets by \$44,492. The key elements of this increase include:

- Strict adherence to spending limitations that limited the increase in expenses to 3%
- Higher interest rates yielded an additional \$35,000 in interest income

Governmental activities (continued).

The cost of all governmental activities this year was \$2,591,429. After subtracting the direct charges to those who directly benefited from the programs (\$159,060), and operating and capital grants and contributions (\$411,133), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$2,021,236.

General revenues, in the amount of \$2,065,728 exceeded the net cost of providing governmental services by \$44,492 causing the net assets to increase. The increase is principally explained by a strict adherence to spending limitations.

Business-type activities. Business-type activities decreased the City's net assets by \$65,081. The decrease can be explained by higher gas prices related to both heating and vehicular fuel.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,326,145, an increase of \$228,537 in comparison with the prior year. Of the total fund balances, \$12,701 is reserved for public safety expenditures. The remainder of the fund balances are unreserved and, therefore, available for spending at the Council's discretion. A portion of the City's governmental fund balances, in the amount of \$483,266, has been designated for future capital purchases.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$842,035, which represents 46 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by \$37,757 during the fiscal year primarily due to the sale of property and a larger than expected return on investments.

The Major Street Fund experienced an increase in fund balance of \$77,304 during the fiscal year because the fund did not incur construction costs in the current year.

The Local Street Fund experienced an increase in fund balance of \$49,260 during the fiscal year primarily due to a \$40,000 transfer from the Major Street Fund.

The Fire Reserve Fund experienced an increase in fund balance of \$99,323 because property taxes and other revenues were not used to acquire capital assets in the current year.

The Capital Improvement Fund experienced a decrease in fund balance of \$41,544 during the fiscal year primarily due to a \$126,000 transfer to the Brownfield Redevelopment Authority to finance consulting costs related to the redevelopment of property formerly owned by Plainwell Paper.

Proprietary funds.

The Sewer Fund experienced a decrease in net assets of \$55,666. The decrease was due to the fact that charges for services were insufficient to cover the full cost of operations. Capital acquisitions during the fiscal year totaled \$687,104.

The Water Fund experienced an increase in net assets of \$18,197. The increase was due to the fact that increased water rates enabled revenues to be sufficient to cover the full cost of operations.

City of Plainwell
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General Fund budgetary highlights

Budgeted expenditures were increased by \$59,172 during the year to reflect anticipated cost increases. The difference between the actual and budgeted amounts (\$67,683) can be attributed to decisions to limit expenditures throughout the year.

Capital assets and debt administration

Capital assets:

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$8,868,095 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, police and fire equipment, and sewer and water facilities. The increase in the City's net investment in capital assets for the current fiscal year was \$210,979. The net investment in capital assets was decreased \$51,363 by governmental activities and increased \$262,342 by business-type activities.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Infrastructure	\$ 689,133	\$ 7,016,212	\$ 7,705,345
Buildings and improvements	379,924	-	379,924
Equipment	398,660	-	398,660
Land	<u>335,970</u>	<u>48,196</u>	<u>384,166</u>
Totals	<u>\$ 1,803,687</u>	<u>\$ 7,064,408</u>	<u>\$ 8,868,095</u>

Major capital asset events during the current fiscal year included the following:

- The Sewer Fund incurred costs, in the amount of \$687,104, related to the digester improvement project.
- The City acquired land for \$35,389.
- The internal service fund acquired equipment, including a police vehicle, totaling \$33,070.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt:

At the end of the fiscal year, the City had bonds payable outstanding in the amount of \$1,105,000 which represents a decrease of \$65,000 or 6 percent. These bonds are secured solely by specific revenue sources (i.e., revenue bonds) of the Water Fund.

Other long-term debt obligations, of the governmental activities, totaling \$128,282 represent accrued compensated absences.

More detailed information about the City's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

Economic condition and outlook

The City anticipates minimal increases in its significant sources of revenue -- property taxes and state shared revenue. The City has long term projects which could significantly increase property tax revenue; however, this will not be realized in the upcoming year.

Like many communities across Michigan, Plainwell will adhere to strict spending limitations.

Contacting the City's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Erik Wilson, City Manager
Karen Koehn, City Treasurer/Finance Director
141 North Main Street
Plainwell, Michigan 49080

Phone: (269) 685-6821

INDEPENDENT AUDITORS' REPORT

**City Council
City of Plainwell, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Plainwell, Michigan, as of June 30, 2006, and for the year then ended, which collectively comprise the City of Plainwell, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the City of Plainwell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Plainwell, Michigan, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City Council
City of Plainwell, Michigan
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Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Plainwell, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Plainwell, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

August 10, 2006

BASIC FINANCIAL STATEMENTS

City of Plainwell
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Primary government</u>			<u>Component units</u>	
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Tax Increment Finance Authority</u>	<u>Brownfield Redevelopment Authority</u>
ASSETS					
Current assets:					
Cash	\$ 2,000,350	\$ 529,483	\$ 2,529,833	\$ 198,767	\$ 6,358
Receivables	218,166	108,795	326,961	700	-
Internal balances	<u>426,277</u>	<u>(426,277)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>2,644,793</u>	<u>212,001</u>	<u>2,856,794</u>	<u>199,467</u>	<u>6,358</u>
Noncurrent assets:					
Capital assets not being depreciated	335,970	48,196	384,166	-	124,783
Capital assets, net of depreciation	<u>1,467,717</u>	<u>7,016,212</u>	<u>8,483,929</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,803,687</u>	<u>7,064,408</u>	<u>8,868,095</u>	<u>-</u>	<u>124,783</u>
Total assets	<u>4,448,480</u>	<u>7,228,213</u>	<u>11,340,723</u>	<u>199,467</u>	<u>6,358</u>
LIABILITIES					
Current liabilities:					
Payables	71,818	61,127	132,945	-	5,141
Bonds payable	<u>-</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>71,818</u>	<u>126,127</u>	<u>197,945</u>	<u>-</u>	<u>5,141</u>
Noncurrent liabilities:					
Compensated absences	128,282	-	128,282	-	-
Bonds payable	<u>-</u>	<u>1,040,000</u>	<u>1,040,000</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>128,282</u>	<u>1,040,000</u>	<u>1,168,282</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>200,100</u>	<u>1,166,127</u>	<u>1,366,227</u>	<u>-</u>	<u>5,141</u>
NET ASSETS					
Invested in capital assets, net of related debt	1,803,687	5,959,408	7,763,095	-	124,783
Restricted for:					
Public safety	12,701	-	12,701	-	-
Public works	541,011	-	541,011	-	-
Unrestricted	<u>1,890,981</u>	<u>150,874</u>	<u>2,041,855</u>	<u>199,467</u>	<u>1,217</u>
Total net assets	<u>\$ 4,248,380</u>	<u>\$ 6,110,282</u>	<u>\$ 10,358,662</u>	<u>\$ 199,467</u>	<u>\$ 126,000</u>

See notes to the financial statements

City of Plainwell
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government				
Governmental activities:				
Legislative	\$ 9,150	\$ -	\$ -	\$ -
General government	475,744	49,929	-	-
Public safety	1,106,831	84,131	-	60,111
Public works	694,108	-	351,022	-
Community and economic development	86,240	25,000	-	-
Culture and recreation	219,356	-	-	-
Total governmental activities	<u>2,591,429</u>	<u>159,060</u>	<u>351,022</u>	<u>60,111</u>
Business-type activities:				
Sewer	926,469	895,903	-	-
Water	392,369	401,586	-	-
Airport	68,283	55,719	-	-
Total business-type activities	<u>1,387,121</u>	<u>1,353,208</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$3,978,550</u>	<u>\$ 1,512,268</u>	<u>\$ 351,022</u>	<u>\$ 60,111</u>
Component units				
Tax Increment Finance Authority	\$ 30,455	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	-	-	-	126,000
Total component units	<u>\$ 30,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,000</u>

General revenues:
Property taxes
State shared revenues
Unrestricted interest income
Cable television franchise fees
Miscellaneous
Transfers

Total general revenues and transfer

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets				
Primary government			Component units	
Governmental activities	Business-type activities	Totals	Tax Increment Finance Authority	Brownfield Redevelopment Authority
\$ (9,150)		\$ (9,150)		
(425,815)		(425,815)		
(962,589)		(962,589)		
(343,086)		(343,086)		
(61,240)		(61,240)		
(219,356)		(219,356)		
(2,021,236)		(2,021,236)		
	\$ (30,566)	(30,566)		
	9,217	9,217		
	(12,564)	(12,564)		
	(33,913)	(33,913)		
(2,021,236)	(33,913)	(2,055,149)		
			\$ (30,455)	\$ -
			-	126,000
			(30,455)	126,000
1,385,170	-	1,385,170	-	-
425,854	-	425,854	-	-
99,320	21,946	121,266	8,910	-
33,869	-	33,869	-	-
68,401	-	68,401	-	-
53,114	(53,114)	-	-	-
2,065,728	(31,168)	2,034,560	8,910	-
44,492	(65,081)	(20,589)	(21,545)	126,000
4,203,888	6,175,363	10,379,251	221,012	-
\$ 4,248,380	\$ 6,110,282	\$ 10,358,662	\$ 199,467	\$ 126,000

See notes to the financial statements

City of Plainwell
BALANCE SHEET - governmental funds
June 30, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Reserve</u>
ASSETS				
Cash	\$ 732,417	\$ 204,934	\$ 186,877	\$ 483,581
Receivables	175,754	30,911	11,501	-
Interfund receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 908,171</u>	<u>\$ 235,845</u>	<u>\$ 198,378</u>	<u>\$ 483,581</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 53,435	\$ 3,578	\$ 295	\$ 315
Fund balances:				
Reserved for:				
Public safety	12,701	-	-	-
Long-term interfund receivable	-	-	-	-
Unreserved:				
Designated for capital acquisitions	-	-	-	483,266
Undesignated	842,035	232,267	198,083	-
Unreserved, reported in nonmajor:				
Special revenue fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>854,736</u>	<u>232,267</u>	<u>198,083</u>	<u>483,266</u>
Total liabilities and fund balances	<u>\$ 908,171</u>	<u>\$ 235,845</u>	<u>\$ 198,378</u>	<u>\$ 483,581</u>

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Some liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

The assets and liabilities of the internal service fund are included in the *governmental activities* in the statement of net assets.

Net assets of *governmental activities*

<u>Capital Improvement</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
\$ 42,132	\$ 114,212	\$ 1,764,153
-	-	218,166
<u>405,000</u>	<u>-</u>	<u>405,000</u>
<u>\$ 447,132</u>	<u>\$ 114,212</u>	<u>\$ 2,387,319</u>

\$ -	\$ 3,551	\$ 61,174
------	----------	-----------

-	-	12,701
405,000	-	405,000
-	-	483,266
42,132	-	1,314,517
<u>-</u>	<u>110,661</u>	<u>110,661</u>
<u>447,132</u>	<u>110,661</u>	<u>2,326,145</u>
<u>\$ 447,132</u>	<u>\$ 114,212</u>	<u>\$ 2,387,319</u>

\$ 2,326,145

1,647,872

(128,282)

402,645

\$ 4,248,380

See notes to the financial statements

City of Plainwell**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended June 30, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Reserve</u>
REVENUES				
Property taxes	\$ 1,122,320	\$ -	\$ -	\$ 84,437
Licenses and permits	49,977	-	-	-
State grants	425,854	193,056	75,507	-
Federal grant	-	-	-	60,111
Intergovernmental	78,474	67,749	70,439	-
Fines and forfeitures	14,549	-	-	-
Interest and rentals	43,038	8,163	4,276	18,914
Other	59,572	-	-	4,625
Total revenues	<u>1,793,784</u>	<u>268,968</u>	<u>150,222</u>	<u>168,087</u>
EXPENDITURES				
Legislative	9,150	-	-	-
General government	423,147	-	-	136
Public safety	984,521	-	-	-
Public works	104,749	145,986	136,074	-
Community and economic development	85,558	-	-	-
Culture and recreation	148,401	-	-	-
Capital outlay	79,423	-	-	63,683
Total expenditures	<u>1,834,949</u>	<u>145,986</u>	<u>136,074</u>	<u>63,819</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(41,165)</u>	<u>122,982</u>	<u>14,148</u>	<u>104,268</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	78,922	-	40,000	-
Transfers out	-	(45,678)	(4,888)	(4,945)
Total other financing sources (uses)	<u>78,922</u>	<u>(45,678)</u>	<u>35,112</u>	<u>(4,945)</u>
NET CHANGE IN FUND BALANCES	<u>37,757</u>	<u>77,304</u>	<u>49,260</u>	<u>99,323</u>
FUND BALANCES - BEGINNING	<u>816,979</u>	<u>154,963</u>	<u>148,823</u>	<u>383,943</u>
FUND BALANCES - ENDING	<u>\$ 854,736</u>	<u>\$ 232,267</u>	<u>\$ 198,083</u>	<u>\$ 483,266</u>

<u>Capital Improvement</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
\$ 84,437	\$ 143,905	\$ 1,435,099
-	-	49,977
-	-	694,417
-	-	60,111
-	-	216,662
-	-	14,549
7,115	6,648	88,154
-	14	64,211
<u>91,552</u>	<u>150,567</u>	<u>2,623,180</u>
-	-	9,150
136	-	423,419
-	-	984,521
126,000	137,053	649,862
-	-	85,558
-	-	148,401
<u>6,970</u>	<u>2,859</u>	<u>152,935</u>
<u>133,106</u>	<u>139,912</u>	<u>2,453,846</u>
<u>(41,554)</u>	<u>10,655</u>	<u>169,334</u>
-	-	118,922
-	(4,208)	(59,719)
-	(4,208)	59,203
(41,554)	6,447	228,537
<u>488,686</u>	<u>104,214</u>	<u>2,097,608</u>
<u>\$ 447,132</u>	<u>\$ 110,661</u>	<u>\$ 2,326,145</u>

See notes to the financial statements

City of Plainwell

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended June 30, 2006

Net change in fund balances - total governmental funds	\$ 228,537
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Amounts reported for *governmental activities* in the statement of activities (page 6)
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement
of activities, the cost of those assets is allocated over their estimated useful lives
and reported as depreciation expense.

Add: Capital asset acquisitions	89,208
Deduct: Provision for depreciation	(122,474)

Changes in other liabilities:

Net decrease in deferred revenue	(55,563)
Net decrease in compensated absences	(51,794)

The net expenses of the internal service fund are reported with
with *governmental activities*.

(43,422)

Change in net assets of <i>governmental activities</i>	<u>\$ 44,492</u>
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See notes to the financial statements

City of Plainwell
STATEMENT OF NET ASSETS - proprietary funds
June 30, 2006

	Business-type activities				Governmental activities
	Enterprise funds				Internal service
	Sewer	Water	Airport	Totals	
ASSETS					
Current assets:					
Cash	\$ -	\$ 509,557	\$ 19,926	\$ 529,483	\$ 236,197
Receivables	69,340	38,025	1,430	108,795	-
Total current assets	69,340	547,582	21,356	638,278	236,197
Noncurrent assets - capital assets, net of depreciation	4,176,553	2,817,155	70,700	7,064,408	155,815
Total assets	4,245,893	3,364,737	92,056	7,702,686	392,012
LIABILITIES					
Current liabilities:					
Payables	40,505	19,672	950	61,127	10,644
Bonds payable	-	65,000	-	65,000	-
Total current liabilities	40,505	84,672	950	126,127	10,644
Noncurrent liabilities:					
Interfund loan	405,000	-	-	405,000	-
Bonds payable	-	1,040,000	-	1,040,000	-
Total noncurrent liabilities	405,000	1,040,000	-	1,445,000	-
Total liabilities	445,505	1,124,672	950	1,571,127	10,644
NET ASSETS					
Invested in capital assets, net of related debt	4,176,553	1,712,155	70,700	5,959,408	155,815
Unrestricted	(376,165)	527,910	20,406	172,151	225,553
Total net assets	\$ 3,800,388	\$ 2,240,065	\$ 91,106	\$ 6,131,559	\$ 381,368
Total net assets - total proprietary funds				\$ 6,131,559	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(21,277)	
Net assets of business-type activities				\$ 6,110,282	

See notes to the financial statements

City of Plainwell

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -

proprietary funds

Year ended June 30, 2006

	Business-type activities				Governmental activities
	Enterprise funds				Internal service
	Sewer	Water	Airport	Totals	
OPERATING REVENUES					
Charges for services	\$ 879,918	\$ 392,114	\$ 54,093	\$ 1,326,125	\$ 162,595
Other	15,985	9,472	1,626	27,083	4,024
Total operating revenues	895,903	401,586	55,719	1,353,208	166,619
OPERATING EXPENSES					
Administration	165,945	82,057	60,753	308,755	-
Treatment	361,459	84,307	-	445,766	-
Collection	81,341	84,701	-	166,042	-
Costs of interfund services	-	-	-	-	177,722
Depreciation	303,953	113,279	7,530	424,762	51,167
Total operating expenses	912,698	364,344	68,283	1,345,325	228,889
OPERATING INCOME (LOSS)	(16,795)	37,242	(12,564)	7,883	(62,270)
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	1,338	19,663	945	21,946	11,166
Interest expense	-	(28,025)	-	(28,025)	-
Total nonoperating revenues (expenses)	1,338	(8,362)	945	(6,079)	11,166
INCOME (LOSS) BEFORE TRANSFERS	(15,457)	28,880	(11,619)	1,804	(51,104)
TRANSFERS OUT - General Fund	(40,209)	(10,683)	(2,222)	(53,114)	(6,089)
CHANGE IN NET ASSETS	(55,666)	18,197	(13,841)	(51,310)	(57,193)
NET ASSETS - BEGINNING	3,856,054	2,221,868	104,947	6,182,869	438,561
NET ASSETS - ENDING	\$ 3,800,388	\$ 2,240,065	\$ 91,106	\$ 6,131,559	\$ 381,368
Change in net assets - total proprietary funds				\$ (51,310)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(13,771)	
Change in net assets of business-type activities				\$ (65,081)	

See notes to the financial statements

City of Plainwell
STATEMENT OF CASH FLOWS - proprietary funds
Year ended June 30, 2006

	Business-type activities				Governmental activities
	Enterprise funds				Internal service
	Sewer	Water	Airport	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 901,735	\$ 405,236	\$ 55,419	\$ 1,362,390	\$ -
Receipts from interfund services provided	-	-	-	-	166,619
Payments to suppliers	(465,839)	(130,110)	(59,923)	(655,872)	(120,383)
Payments to employees	(210,912)	(111,000)	(3,829)	(325,741)	(56,265)
Internal activity - payments to other funds	(8,749)	(10,631)	(187)	(19,567)	-
Net cash provided by (used in) operating activities	216,235	153,495	(8,520)	361,210	(10,029)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out - General Fund	(40,209)	(10,683)	(2,222)	(53,114)	(6,089)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interfund loan - Capital Improvement Fund	405,000	-	-	405,000	-
Acquisition of capital assets	(687,104)	-	-	(687,104)	(33,070)
Principal paid on capital debt	-	(65,000)	-	(65,000)	-
Interest paid on capital debt	-	(28,438)	-	(28,438)	-
Net cash used in capital and related financing activities	(282,104)	(93,438)	-	(375,542)	(33,070)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,338	19,663	945	21,946	11,166
NET INCREASE (DECREASE) IN CASH	(104,740)	69,037	(9,797)	(45,500)	(38,022)
CASH - BEGINNING	104,740	440,520	29,723	574,983	274,219
CASH - ENDING	\$ -	\$ 509,557	\$ 19,926	\$ 529,483	\$ 236,197

See notes to the financial statements

City of Plainwell
STATEMENT OF CASH FLOWS - proprietary funds (Continued)
Year ended June 30, 2006

	Business-type activities				Governmental activities
	Enterprise funds				Internal service
	Sewer	Water	Airport	Totals	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (16,795)	\$ 37,242	\$ (12,564)	\$ 7,883	\$ (62,270)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	303,953	113,279	7,530	424,762	51,167
Changes in assets and liabilities:					
Receivables	5,832	3,650	(300)	9,182	-
Payables	(76,755)	(676)	(3,186)	(80,617)	1,074
Net cash provided by (used in) operating activities	\$ 216,235	\$ 153,495	\$ (8,520)	\$ 361,210	\$ (10,029)

See notes to the financial statements

City of Plainwell
STATEMENT OF FIDUCIARY NET ASSETS - agency fund
June 30, 2006

ASSETS

Cash	\$ 35,617
Due from other governmental units	<u>230,638</u>
Total assets	<u>\$ 266,255</u>

LIABILITIES

Due to other governmental units	\$ 232,668
Due to others	<u>33,587</u>
Total liabilities	<u>\$ 266,255</u>

See notes to the financial statements

City of Plainwell
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Plainwell, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely-presented component units:

Tax Increment Financing Authority and Brownfield Redevelopment Authority:

These units are presented in separate columns in the financial statements to emphasize that they are legally separate from the City. Separate financial statements of the component units have not been issued, as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component units. Each component unit's governing body is appointed by the City Council and their budget must be approved by the City Council.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Local Street Fund accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's local streets.

The Fire Reserve Fund accounts for property taxes allocated from the general operating millage that are to be used for acquisitions of fire protection equipment.

The Capital Improvement Fund accounts for property taxes allocated from the general operating millage that the City Council has designated for future capital improvements.

The City reports the following major enterprise funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports an internal service fund that accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is allocated proportionately to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets beginning July 1, 2003, as permitted by GASB No. 34.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets (continued) - Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 25 years
Vehicles	4 - 20 years
Sewer and water systems	50 years

v) Compensated absences (vacation and sick leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition:

Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year. The City experienced no significant budget variances during the fiscal year.

Fund deficit - As of June 30, 2006, the City's Sewer Fund, an enterprise fund, has an accumulated unrestricted net asset deficit, in the amount of \$376,165, that arose from financing a capital project through an interfund loan from the Capital Improvement Fund. The Sewer Fund is expected to repay the loan over the next three years.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

Cash, as presented in the accompanying financial statements, consists of the following:

	<i>Govern- mental activities</i>	<i>Business- type activities</i>	<i>Fiduciary</i>	<i>Total primary government</i>	<i>Total component units</i>	<i>Total</i>
Deposits	\$ 1,999,350	\$ 529,483	\$ 35,616	\$ 2,564,449	\$ 205,125	\$ 2,769,574
Cash on hand	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Totals	<u>\$ 2,000,350</u>	<u>\$ 529,483</u>	<u>\$ 35,616</u>	<u>\$ 2,565,449</u>	<u>\$ 205,125</u>	<u>\$ 2,770,574</u>

Deposits with financial institutions - State statutes and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2006, \$2,582,511 of the City's bank balances of \$2,809,750 was exposed to custodial credit risk because it was uninsured. The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

The City maintains individual and pooled cash accounts for all of its funds and its component units. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units. The insured portion of the bank balance has been allocated entirely to the primary government.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At June 30, 2006, the City's receivables are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Inter- governmental</i>	<i>Totals</i>
Governmental funds:			
General	\$ 29,628	\$ 146,126	\$ 175,754
Major Street	-	30,911	30,911
Local Street	-	11,501	11,501
Totals	<u>\$ 29,628</u>	<u>\$ 188,538</u>	<u>\$ 218,166</u>
Proprietary funds:			
Sewer	\$ 69,340	\$ -	\$ 69,340
Water	38,025	-	38,025
Nonmajor fund	<u>1,430</u>	<u>-</u>	<u>1,430</u>
Totals	<u>\$ 108,795</u>	<u>\$ -</u>	<u>\$ 108,795</u>
Component units:			
Tax increment Finance Authority	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 700</u>

All receivables are due within one year and are considered fully collectible.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006 was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 300,581</u>	<u>\$ 35,389</u>	<u>\$ -</u>	<u>\$ 335,970</u>
Capital assets being depreciated:				
Streets	276,042	-	-	276,042
Land improvements	852,210	6,883	-	859,093
Buildings and improvements	741,525	6,220	-	747,745
Equipment and vehicles	<u>1,671,308</u>	<u>73,786</u>	<u>22,000</u>	<u>1,723,094</u>
Subtotal	<u>3,541,085</u>	<u>86,889</u>	<u>22,000</u>	<u>3,605,974</u>
Less accumulated depreciation for:				
Street	1,150	13,802	-	14,952
Land improvements	398,079	32,971	-	431,050
Buildings and improvements	348,288	19,533	-	367,821
Equipment and vehicles	<u>1,239,099</u>	<u>107,335</u>	<u>22,000</u>	<u>1,324,434</u>
Subtotal	<u>1,986,616</u>	<u>173,641</u>	<u>22,000</u>	<u>2,138,257</u>
Total capital assets being depreciated, net	<u>1,554,469</u>	<u>(86,752)</u>	<u>-</u>	<u>1,467,717</u>
Governmental activities capital assets, net	<u>\$ 1,855,050</u>	<u>\$ (51,363)</u>	<u>\$ -</u>	<u>\$ 1,803,687</u>

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 48,196	\$ -	\$ -	\$ 48,196
Capital assets being depreciated:				
Sewer system	8,360,248	687,104	-	9,047,352
Water system	4,379,139	-	-	4,379,139
Airport	152,974	-	-	152,974
Subtotal	12,892,361	687,104	-	13,579,465
Less accumulated depreciation for:				
Sewer system	4,567,247	303,953	-	4,871,200
Water system	1,466,050	113,279	-	1,579,329
Airport	105,194	7,530	-	112,724
Subtotal	6,138,491	424,762	-	6,563,253
Total capital assets being depreciated, net	6,753,870	262,342	-	7,016,212
Business-type activities capital assets, net	\$ 6,802,066	\$ 262,342	\$ -	\$ 7,064,408
Component unit - Brownfield Redevelopment Authority:				
Capital assets not being depreciated:				
Redevelopment project	\$ -	\$ 124,783	\$ -	\$ 124,783

Depreciation expense was charged to the City's functions as follows:

Governmental activities:	
General government	\$ 24,782
Public safety	37,685
Public works	15,820
Culture and recreation	44,187
Depreciation on internal service fund assets	51,167
Total governmental activities	\$ 173,641
Business-type activities:	
Sewer	\$ 303,953
Water	113,279
Airport	7,530
Total business-type activities	\$ 424,762

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

At June 30, 2006, the City's payables are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental funds:				
General	\$ 34,270	\$ 19,165	\$ -	\$ 53,435
Major Street	3,578	-	-	3,578
Local Street	295	-	-	295
Fire Reserve	315	-	-	315
Nonmajor governmental	<u>3,551</u>	<u>-</u>	<u>-</u>	<u>3,551</u>
Totals	<u>\$ 42,009</u>	<u>\$ 19,165</u>	<u>\$ -</u>	<u>\$ 61,174</u>
Enterprise funds:				
Sewer	\$ 27,360	\$ 13,145	\$ -	\$ 40,505
Water	2,349	10,423	6,900	19,672
Nonmajor business-type	<u>415</u>	<u>535</u>	<u>-</u>	<u>950</u>
Totals	<u>\$ 30,124</u>	<u>\$ 24,103</u>	<u>\$ 6,900</u>	<u>\$ 61,127</u>
Internal service - equipment	<u>\$ 5,758</u>	<u>\$ 4,886</u>	<u>\$ -</u>	<u>\$ 10,644</u>
Component units:				
Brownfield Redevelopment Authority	<u>\$ 5,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,141</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2006, the composition of interfund balances follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Capital Improvement	<u>\$ 405,000</u>	Sewer	<u>\$ 405,000</u>

The Capital Improvement Fund provided an interfund loan to the Sewer Fund to finance a portion of the cost of the digester project in the current year. The loan is to be repaid over a period of three years.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

A summary of interfund transfers for the year ended June 30, 2006, are as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 73,977	Major Street	\$ 5,678
		Local Street	4,888
		Nonmajor governmental	4,208
		Sewer	40,209
		Water	10,683
		Nonmajor business-type	2,222
		Internal service	<u>6,089</u>
			73,977
General	<u>4,945</u>	Fire Reserve	<u>4,945</u>
	78,922		78,922
Local Street	<u>40,000</u>	Major Street	<u>40,000</u>
	<u>\$ 118,922</u>		<u>\$ 118,922</u>

The transfers to the General Fund, in the amount of \$73,977, represent payments to the General Fund in accordance with budgetary authorizations.

The Fire Reserve Fund transferred \$4,945 to the General Fund to finance a portion of the costs of fire protection.

The Major Street Fund, in compliance with state statues, transferred \$40,000 of available funds to the Local Street Fund, which represents support for additional street maintenance and repairs.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - NONCURRENT LIABILITIES:

At June 30, 2006, noncurrent liabilities are comprised of the following individual issues:

Governmental activities:	
Accrued employee benefits	<u>\$ 128,282</u>
Business-type activities:	
Bonds payable:	
\$1,570,000 1999 Water Supply System revenue bonds - payable in annual installments ranging from \$65,000 to \$90,000, plus interest at 2.50%; final payment due October 2019	
	<u>\$ 1,105,000</u>

Noncurrent liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	<u>\$ 76,488</u>	<u>\$ 141,703</u>	<u>\$ 89,909</u>	<u>\$ 128,282</u>	<u>\$ -</u>
Business-type activities:					
1999 Revenue bonds	<u>\$ 1,170,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 1,105,000</u>	<u>\$ 65,000</u>

At June 30, 2006, debt service requirements, with the exception of compensated absences, are as follows:

	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2007	\$ 65,000	\$ 26,812
2008	70,000	25,125
2009	70,000	23,375
2010	70,000	21,625
2011	75,000	19,813
2012 - 2016	400,000	69,875
2017 - 2020	<u>355,000</u>	<u>17,937</u>
	<u>\$ 1,105,000</u>	<u>\$ 204,562</u>

NOTE 9 - COMPONENT UNIT TRANSACTIONS:

The Capital Improvement Fund paid the Brownfield Redevelopment Authority \$126,000 to finance consulting costs related to the redevelopment of the Plainwell Paper property.

The Tax Increment Finance Authority paid the General Fund \$25,000 to finance a portion of the City's economic development costs.

City of Plainwell
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RETIREMENT PLAN:

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes 10% of each qualified employee's base salary to the plan. The City's contributions are fully vested immediately. The City is not a trustee of the plan, nor is the City responsible for investment management of plan assets.

The City and employees made the required contributions of \$144,793 and \$139,038, respectively.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2006, is as follows:

Revenues	\$ 16,108
Expenses	<u>15,216</u>
Excess of revenues over expenses	<u>\$ 892</u>

NOTE 12 - RISK MANAGEMENT:

The City is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$3,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 13 - CONTINGENCY:

The Tax Increment Finance Authority, a component unit of the City, has adopted a tax increment financing plan (the plan) that allows the Authority (the Authority) to expend tax increment revenues for purposes of furthering the development program contemplated in the plan. At June 30, 2006, the Authority's fund balance was \$199,467. The Authority intends to use the available fund balance to complete the development program. However, any funds remaining after completion of the development program shall revert proportionately to the respective taxing entities, including the City, from which the tax increment revenues were derived.

REQUIRED SUPPLEMENTARY INFORMATION

City of Plainwell**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 1,123,685	\$ 1,123,685	\$ 1,122,320	\$ (1,365)
Licenses and permits	47,000	47,000	49,977	2,977
State grants	425,000	425,000	425,854	854
Intergovernmental	75,000	75,000	78,474	3,474
Fines and forfeitures	12,100	13,774	14,549	775
Interest	20,215	44,015	43,038	(977)
Other	21,610	55,308	59,572	4,264
Total revenues	<u>1,724,610</u>	<u>1,783,782</u>	<u>1,793,784</u>	<u>10,002</u>
EXPENDITURES				
Legislative - City Council	<u>9,151</u>	<u>9,151</u>	<u>9,150</u>	<u>1</u>
General government:				
Elections	21,262	21,262	12,949	8,313
Administration	269,618	274,990	280,667	(5,677)
Assessor	22,042	23,500	22,317	1,183
Building and grounds	86,953	103,000	103,970	(970)
Community promotion	3,065	3,065	3,244	(179)
Total general government	<u>402,940</u>	<u>425,817</u>	<u>423,147</u>	<u>2,670</u>
Public safety:				
Department of Public Safety:				
Police protection	887,232	887,232	855,937	31,295
Fire protection	118,775	118,775	113,368	5,407
Protective inspections	16,209	16,209	15,216	993
Total public safety	<u>1,022,216</u>	<u>1,022,216</u>	<u>984,521</u>	<u>37,695</u>
Public works:				
Department of Public Works	83,971	83,971	75,520	8,451
Street lighting	30,000	30,000	29,229	771
Total public works	<u>113,971</u>	<u>113,971</u>	<u>104,749</u>	<u>9,222</u>
Community and economic development -				
Community development	<u>86,322</u>	<u>87,341</u>	<u>85,558</u>	<u>1,783</u>

City of Plainwell

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Culture and recreation:				
Parks	\$ 96,733	\$ 100,500	\$ 96,487	\$ 4,013
Flowers and beautification	17,744	26,504	24,643	1,861
Special events	12,883	16,632	16,078	554
Forestry	6,421	6,421	5,673	748
School recreation	<u>5,520</u>	<u>5,520</u>	<u>5,520</u>	<u>-</u>
Total culture and recreation	<u>139,301</u>	<u>155,577</u>	<u>148,401</u>	<u>7,176</u>
Capital outlay	<u>69,559</u>	<u>88,559</u>	<u>79,423</u>	<u>9,136</u>
Total expenditures	<u>1,843,460</u>	<u>1,902,632</u>	<u>1,834,949</u>	<u>67,683</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(118,850)</u>	<u>(118,850)</u>	<u>(41,165)</u>	<u>77,685</u>
OTHER FINANCING SOURCES				
Transfers in:				
Major Streets Fund	5,678	5,678	5,678	-
Local Streets Fund	4,888	4,888	4,888	-
Fire Reserve Fund	4,945	4,945	4,945	-
Solid Waste Fund	4,208	4,208	4,208	-
Sewer Fund	40,209	40,209	40,209	-
Water Fund	10,683	10,683	10,683	-
Equipment Fund	6,089	6,089	6,089	-
Airport Fund	<u>2,222</u>	<u>2,222</u>	<u>2,222</u>	<u>-</u>
Total other financing sources	<u>78,922</u>	<u>78,922</u>	<u>78,922</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(39,928)</u>	<u>(39,928)</u>	<u>37,757</u>	<u>77,685</u>
FUND BALANCES - BEGINNING	<u>816,979</u>	<u>816,979</u>	<u>816,979</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 777,051</u>	<u>\$ 777,051</u>	<u>\$ 854,736</u>	<u>\$ 77,685</u>

City of Plainwell
BUDGETARY COMPARISON SCHEDULE - Major Street Fund
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 195,750	\$ 195,750	\$ 193,056	\$ (2,694)
Intergovernmental	12,000	12,000	67,749	55,749
Interest	5,500	5,500	8,163	2,663
Total revenues	<u>213,250</u>	<u>213,250</u>	<u>268,968</u>	<u>55,718</u>
EXPENDITURES				
Public works:				
Preservation	114,808	114,808	93,490	21,318
Traffic services	10,830	10,830	21,228	(10,398)
Winter maintenance	34,790	34,790	24,739	10,051
Administration	7,144	7,144	6,529	615
Total expenditures	<u>167,572</u>	<u>167,572</u>	<u>145,986</u>	<u>21,586</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>45,678</u>	<u>45,678</u>	<u>122,982</u>	<u>77,304</u>
OTHER FINANCING USES				
Transfers out:				
General Fund	(5,678)	(5,678)	(5,678)	-
Local Street Fund	(40,000)	(40,000)	(40,000)	-
Total other financing uses	<u>(45,678)</u>	<u>(45,678)</u>	<u>(45,678)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	77,304	77,304
FUND BALANCES - BEGINNING	<u>154,963</u>	<u>154,963</u>	<u>154,963</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 154,963</u>	<u>\$ 154,963</u>	<u>\$ 232,267</u>	<u>\$ 77,304</u>

City of Plainwell
BUDGETARY COMPARISON SCHEDULE - Local Street Fund
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 75,750	\$ 75,750	\$ 75,507	\$ (243)
Intergovernmental	68,000	68,000	70,439	2,439
Interest	600	600	4,276	3,676
Other	<u>52,100</u>	<u>52,100</u>	<u>-</u>	<u>(52,100)</u>
Total revenues	<u>196,450</u>	<u>196,450</u>	<u>150,222</u>	<u>(46,228)</u>
EXPENDITURES				
Public works:				
Preservation	195,389	195,389	107,942	87,447
Traffic services	5,325	5,325	3,300	2,025
Winter maintenance	25,707	25,707	20,147	5,560
Administration	<u>5,141</u>	<u>5,141</u>	<u>4,685</u>	<u>456</u>
Total expenditures	<u>231,562</u>	<u>231,562</u>	<u>136,074</u>	<u>95,488</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(35,112)</u>	<u>(35,112)</u>	<u>14,148</u>	<u>49,260</u>
OTHER FINANCING SOURCES (USES)				
Transfer in - Major Streets Fund	40,000	40,000	40,000	-
Transfer out - General Fund	<u>(4,888)</u>	<u>(4,888)</u>	<u>(4,888)</u>	<u>-</u>
Total other financing sources (uses)	<u>35,112</u>	<u>35,112</u>	<u>35,112</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>49,260</u>	<u>49,260</u>
FUND BALANCES - BEGINNING	<u>148,823</u>	<u>148,823</u>	<u>148,823</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 148,823</u>	<u>\$ 148,823</u>	<u>\$ 198,083</u>	<u>\$ 49,260</u>

City of Plainwell

BUDGETARY COMPARISON SCHEDULE - Fire Reserve Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 82,900	\$ 82,900	\$ 84,437	\$ 1,537
Federal grant	-	-	60,111	60,111
Interest	1,000	1,000	18,914	17,914
Other	<u>15,000</u>	<u>15,000</u>	<u>4,625</u>	<u>(10,375)</u>
Total revenues	<u>98,900</u>	<u>98,900</u>	<u>168,087</u>	<u>69,187</u>
EXPENDITURES				
General government	150	150	136	14
Capital outlay	<u>93,805</u>	<u>93,805</u>	<u>63,683</u>	<u>30,122</u>
Total expenditures	<u>93,955</u>	<u>93,955</u>	<u>63,819</u>	<u>30,136</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,945	4,945	104,268	99,323
OTHER FINANCING USES				
Transfer out - General Fund	<u>(4,945)</u>	<u>(4,945)</u>	<u>(4,945)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	99,323	99,323
FUND BALANCES - BEGINNING	<u>383,943</u>	<u>383,943</u>	<u>383,943</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 383,943</u>	<u>\$ 383,943</u>	<u>\$ 483,266</u>	<u>\$ 99,323</u>

City of Plainwell

BUDGETARY COMPARISON SCHEDULE - Capital Improvement Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 82,900	\$ 82,900	\$ 84,437	\$ 1,537
Interest	<u>10,000</u>	<u>10,000</u>	<u>7,115</u>	<u>(2,885)</u>
Total revenues	<u>92,900</u>	<u>92,900</u>	<u>91,552</u>	<u>(1,348)</u>
EXPENDITURES				
General government	150	150	136	14
Public works	98,000	134,000	126,000	8,000
Capital outlay	<u>8,000</u>	<u>8,000</u>	<u>6,970</u>	<u>1,030</u>
Total expenditures	<u>106,150</u>	<u>142,150</u>	<u>133,106</u>	<u>9,044</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(13,250)	(49,250)	(41,554)	7,696
OTHER FINANCING USES				
Transfer out - Sewer Fund	<u>(448,960)</u>	<u>(412,960)</u>	<u>-</u>	<u>412,960</u>
NET CHANGE IN FUND BALANCES	(462,210)	(462,210)	(41,554)	420,656
FUND BALANCES - BEGINNING	<u>488,686</u>	<u>488,686</u>	<u>488,686</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 26,476</u>	<u>\$ 26,476</u>	<u>\$ 447,132</u>	<u>\$ 420,656</u>

OTHER SUPPLEMENTARY DATA

City of Plainwell**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,570,000 1999 WATER SUPPLY SYSTEM BONDS**

June 30, 2006

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>October 1</i>	<i>April 1</i>			
2007	\$ 13,812	\$ 13,000	10/01/06	\$ 65,000	\$ 91,812
2008	13,000	12,125	10/01/07	70,000	95,125
2009	12,125	11,250	10/01/08	70,000	93,375
2010	11,250	10,375	10/01/09	70,000	91,625
2011	10,375	9,438	10/01/10	75,000	94,813
2012	9,437	8,500	10/01/11	75,000	92,937
2013	8,500	7,500	10/01/12	80,000	96,000
2014	7,500	6,500	10/01/13	80,000	94,000
2015	6,500	5,500	10/01/14	80,000	92,000
2016	5,500	4,438	10/01/15	85,000	94,938
2017	4,437	3,375	10/01/16	85,000	92,812
2018	3,375	2,250	10/01/17	90,000	95,625
2019	2,250	1,125	10/01/18	90,000	93,375
2020	1,125	-	10/01/19	90,000	91,125
	<u>\$ 109,186</u>	<u>\$ 95,376</u>		<u>\$ 1,105,000</u>	<u>\$ 1,309,562</u>